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SUNLITE OIL COMPANY LIMITED

INTERIM REPORT

TO

SHAREHOLDERS

FOR THE SIX MONTHS
ENDED MARCH 31st, 1968

SUNLITE OIL COMPANY LIMITED

Appended are unaudited financial statements for the six months ended March 31, 1968, representing the first half of the current fiscal year. The loss for the period of $54,016 is a reflection of property surrenders and write-offs. Balance sheet reflects cash items of $683,335 compared to $731,008 on September 30, 1967, which decline is due to repayment of a bank loan of $27,500 incurred to finance entry into uranium exploration and to expenditures of $22,686 for the mineral claims described below.

OIL AND GAS INTERESTS

Property surrenders of $65,576 are largely attributable to the dry hole at Olds and the three in the Ratcliffe area, mentioned in the report of November 21, 1967, and to the surrender of reservations at Christina River in Alberta and Yohin Lake in the Northwest Territories. A Keystone wildcat well was dry, but a small oil well was completed at Lougheed in Saskatchewan. This well and the small Oungre producer are both being studied to determine if any further development is warranted.

Remaining lands in which overriding royalty interests are held total slightly over 4 million acres. The limited availability of royalty interests for purchase has restricted additions to the royalty holdings with the result that Company operations have shifted in the direction of working interest participation. In this connection at the Annual General Meeting of December 20, 1967, the stockholders approved a wider use of funds by the management, in contrast with the former limited use confined to purchasing overriding royalties and producing properties.

During the past winter season the following eleven wildcat tests were drilled on company interest lands, in addition to the seven mentioned above:

ALBERTA

French Petroleum Venus	6-36-101-9W6	South Rainbow West	Dry
Arco Scurry Cree	10-26-105-10W5	North Wabiskaw Res. 463	Dry
Shell Unotex Cree	1-29-104-9W5	North Wabiskaw Res. 464	Dry
Canadian Gridoil Roe	16-31-116-20W5	Steen River East Res. 682	Dry
Royal American Bistcho	12-9-126-6W6	Bistcho Lake	Dry

SASKATCHEWAN

Pan American Estuary	4-28-22-28-W3	Permit 1749	Dry
Pan American Sceptre	8-5-20-24-W3	Permit 1748	Dry
Western Decalta Wroxton	9-13-26-33-W1	Permit 1527	Dry
Western Decalta Wroxton	2-4-25-31-W1	Permit 1528	Dry
Western Decalta Kamsack	9-36-28-1-W2	Permit 1529	Dry

NORTHWEST TERRITORIES

Pacific Petroleums Judile	0-41	Permit 4309	Dry

Also nine wildcats were drilled within about three miles of company interest lands located in Alberta, of which three were indicated to be gas wells and the balance were dry. Another twelve or so unsuccessful wildcats were drilled in the general vicinity of company lands in Alberta, Saskatchewan and the Territories.

MINERALS EXPLORATION

Exploration for uranium in the Beaverlodge area of Northwestern Saskatchewan has thus far centred about the 8,400-acre block at Kisiwak Lake, with the location of seven trenches up to 35 feet in length and 10 feet in depth, over a strike of 800 feet. There are promising shows but their commercial significance, if any, must await coring, which is expected to begin in coming weeks. To the northeast of the Kisiwak block

Sunlite and others have staked approximately 34,000 acres of uranium claims, with the Company having a 25% interest.

Sunlite has acquired a 25% interest in approximately 14,821 acres of mineral claims in the Northwest Territories, in nine groups, variously prospective for uranium, nickel, copper, gold, silver and platinum metals. Three groups are in the general Coppermine River area, one is at Bathurst Inlet, two are east of Great Bear Lake, one is between Great Bear and Great Slave and two are some distance north of Great Slave Lake.

The new Saskatchewan claims will be surveyed by aerial scintillometer this summer and the Territories claims will receive preliminary exploration. Methods will include airborne magnetometer, electromagnetic and scintillometer surveys and where warranted, ground investigation, including scintillometer surveys and trenching.

The company has formed a U.S. subsidiary, Sunlite Nevada, Inc. Through it Sunlite and Trans-Canada Oils Ltd. are negotiating to undertake development with a view to ultimate purchase, of a gold-silver mine and small mill near Boise, Idaho.

Sunlite's share of mineral exploratory and development expenditures over the coming season will be $150,000-$200,000, subject to substantially greater expenditures, such as for diamond drilling, if successful preliminary results are indicated. In the event that a commercial orebody is found large capital costs of mining facilities and possibly milling equipment will be faced.

On May 23, 1968, the Company registered with the U.S. Securities & Exchange Commission a proposed public offering of 600,000 treasury shares to be sold in the United States. Proceeds of this offering, if the S.E.C. registration becomes effective, will be used to finance exploration and development of present mineral interests, to acquire additional mineral claims and mining properties and to acquire working interests in wildcat or productive oil and gas properties.

The operator of our Canadian minerals exploration is Trans-Canada Oils Ltd. whose Executive Vice-President, Mr. F. L. Croteau, became a Sunlite director in February, 1968. Mr. Croteau has had long and varied experience in geology and engineering related to the oil, gas and mining industries.

The present directors and officers of the Company are:

Donald K. Russell	President and a Director	New York
Edwin L. Kennedy	Director	New York
Olin E. Buker	Director	Calgary
William W. Siebens	Director	Calgary
F. Leslie Croteau	Director	Vancouver
Robert T. M. Vanderham	Vice-President	Calgary
J. Stewart Fisher	Secretary-Treasurer	Calgary

D. K. RUSSELL
President

May 30, 1968.

SUNLITE OIL COMPANY LIMITED

BALANCE SHEET AS AT MARCH 31, 1968

ASSETS

CURRENT ASSETS	
Cash	$ 683,335
Accounts receivable	5,926
	689,261
FIXED ASSETS, at cost	
Petroleum and natural gas leases and rights together with development thereon	
Producing	230,711
Accumulated depreciation, depletion and amortization	104,359
	126,352
Non-Producing	
Royalty rights	463,040
Leases	8,434
	597,826
Other mineral rights, together with development thereon	60,186
Office furniture and fixtures less accumulated depreciation	73
	658,085
	$1,347,346

LIABILITIES

CURRENT LIABILITIES	
Accounts payable	$ 16,149

SHAREHOLDERS' EQUITY

CAPITAL STOCK	
Authorized 3,000,000 shares without nominal or par value	
Issued 1,452,100 shares	1,388,878
DEFICIT	57,681
	1,331,197
	$1,347,346

Subject to year-end and audit adjustments.

SUNLITE OIL COMPANY LIMITED

STATEMENT OF EARNINGS AND DEFICIT
FOR THE SIX MONTHS ENDED MARCH 31, 1968

REVENUE	
Oil and gas	$15,649
Interest	21,047
	36,696
EXPENSES	
Operating	4,531
General and administrative	15,132
Carrying charges on non-producing properties	112
Properties surrendered and written-off	65,576
Depreciation	1,338
Depletion and amortization	3,575
Interest expense	448
	90,712
LOSS FOR THE PERIOD	54,016
Deficit at beginning of period	3,665
DEFICIT AT END OF PERIOD	$57,681

Subject to year-end and audit adjustments.

SUNLITE OIL COMPANY LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE SIX MONTHS ENDED MARCH 31, 1968

FUNDS DERIVED FROM	
Current operations	
Loss for the period	$ (54,016)
Add charges to earnings not requiring funds	
Depreciation, depletion and amortization	4,913
Properties surrendered and written-off	65,576
	16,473
FUNDS APPLIED TO	
Fixed assets, net	50,689
DECREASE IN WORKING CAPITAL DURING THE PERIOD	34,216
Working capital at beginning of period (including cash appropriated for use in property acquisitions — since released for general purposes)	707,328
WORKING CAPITAL AT END OF PERIOD	$673,112

Subject to year-end and audit adjustments.

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